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TO RUEHC/SECSTATE WASHDC 9706  
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RUEHNE/AMEMBASSY NEW DELHI 2854  
RUEHKP/AMCONSUL KARACHI 2475  
RUEHCG/AMCONSUL CHENNAI 9143  
RUEHBI/AMCONSUL MUMBAI 6464  
RUEHLMC/MILLENNIUM CHALLENGE CORPORATION

UNCLAS COLOMBO 000365

SIPDIS

SENSITIVE

STATE FOR EEB/IFD/OMA Julia Jacoby, SCA/RA, AND SCA/INS

E.O 12958: N/A

TAGS: [EAID](#) [ECON](#) [PGOV](#) [PREL](#) [CE](#)

SUBJECT: SRI LANKA: FISCAL TRANSPARENCY

REF: (A) SECSTATE 028885  
(B) 08 COLOMBO 0238

**¶1.** (U) The following is in response to ref A's request for information concerning Sri Lanka's compliance under Section 7088(c)(1) of the Department of State, Foreign Operations, and Related Programs Appropriations Act (SFOAA), 2009 (Div. H, P.L.111-8). Responses are keyed to ref A questions.

**¶2.** (SBU) The central government of Sri Lanka is receiving FY 09 U.S. foreign assistance funds.

Public Availability of 2009 Budget

**¶3.** (SBU) Sri Lanka's budget -- with expenditure and income details -- is made publicly available for purchase from the government publication office. The President's budget speech, as well as a summary of revenue and expenditure estimates, are published on the internet. There is a twelve month lag time for the release of the actual detailed budget data for a given year. The budget is prepared on a medium-term budget framework. Budget documents contain all central government revenue and expenditure. Details of expenditure on military hardware are not provided in budget documents available to the public. The government's budget documents do not contain accounts of public corporations or of provincial and local governments. Public corporations publish separate accounts.

Post's assessment of the extent to which the publicly-available budget accurately reflects actual government incomes and expenditures

**¶4.** (SBU) The government's budget transparency has been enhanced by the Fiscal Management (Responsibility) Act (FMRA), passed in 2003. The Act lays out clear obligations for fiscal control, budget preparation, monitoring, reporting and parliamentary review with explicit medium term targets. While fiscal targets contained in the FMRA have not been achieved to date, reporting has improved. As required by the FMRA, the government publishes a fiscal strategy statement, a budget, an economic and fiscal position report, a mid-year fiscal position report and a final budget position report. These reports are presented to parliament and published on the internet.

**¶5.** (SBU) Beginning in 2003, the government backtracked on previous measures to improve transparency and the fiscal oversight role of Parliament by allocating increasingly large sums to a special Finance Ministry account. The government used this account to pay for expenses in various ministries as they arose throughout the year

by transferring funds on a case-by-case basis. Some of these payments have been described in the GSL's "Budget, Economic and Fiscal Position Report," but many more are not detailed at all. In 2008, the Supreme Court instructed the government to more fully report the use of these funds to Parliament as required by the FMRA.

Following this decision, the Appropriation Act was amended to require the Treasury to inform the Parliament within two months of any transfer of funds from the Finance Ministry account. This law came into effect on January 1, 2009.

**¶6.** (SBU) To achieve full transparency, additional reforms are needed. These include provision of data on accounts payable and commitments, and publication of intra-year data in a timely manner. Consolidated general government accounts need to be prepared and transactions between government and public enterprises further clarified. Transparency could be enhanced by strengthening the audit process.

BLAKE